

Message Text

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PAGE 01 CALGAR 00411 281707Z
ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
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E.O. 11652: NA
TAGS: ENRG, CA
SUBJ: ALBERTA GAS EXPORTS TO U.S.

REF: CALGARY A-12, CALGARY 0332

1. AT A PRESS CONFERENCE AFTER SAUDI ARABIAN OIL MINISTER YAMANI S ADDRESS TO THE CANADIAN SOCIETY OF PETROLEUM GEOLOGISTS, ALBERTA PREMIER LOUGHEED URGED THE FEDERAL GOVERNMENT TO APPROVE SHORT AND INTERMEDIATE TERM EXPORTS OF SURPLUS ALBERTA GAS TO THE U.S. LOUGHEED INTIMATED THAT INCREASED NEAR TERM GAS SALES TO EASTERN CANADA WOULD BE LIMITED IN VOLUME LEAVING UNMARKETABLE CONSIDERABLE GAS ALREADY FOUND SURPLUS TO ALBERTA NEEDS. IF ADDITIONAL SHORT TERM GAS EXPORTS ARE NOT APPROVED BY THE NATIONAL ENERGY BOARD (NEB), LOUGHEED STATED HE FORESAW A CONFRONTATION DEVELOPING BETWEEN ALBERTA AND THE FEDERAL GOVERNMENT AND A DOWNTURN IN OIL AND GAS FIELD ACTIVITY, PROBABLY IN A FIVE TO EIGHT YEAR PERIOD. LOUGHEED STRESSED THAT KEY ALBERTA CONDITION FOR APPROVING ADDITIONAL GAS EXPORTS TO U.S. REMAINS -- U.S. TARIFF CONCESSIONS PERMITTING INCREASED MARKET ACCESS FOR ALBERTA AGRICULTURAL AND PETROCHEMICAL
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PRODUCTS. HE ADDED THAT HE HOPED USG WOULD REASSESS ITS POSITION ON TRADE CONCESSIONS.

2. COMMENT: ALBERTA OIL EXECUTIVES AGREE THAT FAILURE OF SURPLUS ALBERTA NATURAL GAS TO FIND A MARKET WILL ULTIMATELY LEAD TO A DOWNTURN IN DRILLING ACTIVITY ALTHOUGH MOST BELIEVE DECLINE WILL OCCUR MUCH SOONER THAN FIVE YEARS.

ALTHOUGH INITIAL 1978 DRILLING FIGURES SHOW FIELD ACTIVITY
UP SLIGHTLY OVER RECORD 1977 YEAR, EXPLORATION IS CONSID-
ERED BY SOME TO BE A LAGGING INDICATOR IN PART BECAUSE
DRILLING RIGS ARE CURRENTLY ENGAGED UNDER CONTRACTS RUNNING
FROM ONE TO THREE YEARS. CURRENT EXPLORATORY EFFORTS HAVE
ALSO BEEN ARTIFICIALLY STIMULATED BY ALBERTA OIL AND GAS
DRILLING INCENTIVE AND ROYALTY GRACE PERIOD PROGRAM (REF:
CALGARY A-12). SIGNIFICANCE OF LOUGHEED REFERENCE TO NEED
FOR U.S. TO REASSESS TARIFF CONCESSIONS BENEFITTING ALBERTA
IS NOT CLEAR AT THIS POINT ALTHOUGH ALBERTA GOVERNMENT
TRADE EXPERTS ARE REPORTEDLY DISAPPOINTED WITH SPEED AND
SCOPE (PARTICULARLY IN AGRICULTURE) OF PROGRESS IN M.T.N.
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